

Message Text

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ACTION EA-14

INFO OCT-01 NEA-14 ISO-00 CIAE-00 DODE-00 INR-11 NSAE-00

PA-04 RSC-01 USIA-15 PRS-01 SP-03 OS-03 DRC-01 FEA-02

AEC-11 AID-20 CEA-02 CIEP-02 COME-00 EB-11 FPC-01

H-03 INT-08 L-03 NSC-07 OMB-01 PM-07 SAM-01 SCI-06

SS-20 STR-08 TRSE-00 FRB-03 /184 W

----- 087491

R 230610Z JUL 74

FM AMEMBASSY RANGOON

TO SECSTATE WASHDC 8269

INFO AMEMBASSY BANGKOK

AMEMBASSY DACCA

AMEMBASSY NEW DELHI

AMEMBASSY SINGAPORE

AMEMBASSY JAKARTA

AMEMBASSY TOKYO

AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: ENRG ASCH AREC BM

SUBJECT: GUB TO REQUIRE OIL COMPANIES TO BASE PERSONNEL IN BURMA

REF: RANGOON 783

1. SUMMARY. LURE OF ECONOMIC BENEFITS HAS OVERCOME DESIRE FOR CULTURAL PURITY, AND GUB NOW PLANS TO REQUIRE FOREIGN OIL COMPANIES TO BASE MOST OF PERSONNEL IN BURMA. COMPANIES ESTIMATE NEW REQUIREMENT WILL CAUSE INFLUX OF ABOUT 100 AMERICAN AND EUROPEAN FAMILIES, MANY WITH SCHOOL-AGE CHILDREN, BY JANUARY 1975. GUB HAS APPARENTLY ABANDONED IDEA OF CREATING LARGE RESIDENTIAL COMPOUND FOR COMPANY PERSONNEL AND WILL ENCOURAGE COMPANIES TO RENT AND RENOVATE HOUSES AVAILABLE IN RANGOON; MOC WILL ATTEMPT TO IMPOSE

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CEILING ON RENTS. GUB HAS INFORMALLY ASSURED COMPANIES THAT THEY

WILL BE ALLOWED TO IMPORT NECESSARY CARS, CONSUMER GOODS, AND BUILDING MATERIALS NEEDED FOR RENOVATION OF RENTED HOUSES; DUTY FREE ENTRY WILL PROBABLY NOT BE GRANTED FOR ANY OF THESE ITEMS, HOWEVER. WHILE OIL COMPANIES SOMEWHAT DISAPPOINTED BY NEW REQUIREMENTS, THEY APPEAR WILLING TO LIVE WITH THEM. END SUMMARY.

2. LOCAL REPRESENTATIVES OF READING AND BATES AND CITIES SERVICE HAVE INFORMED AMBASSADOR THAT MINISTER OF MINES DR. NYI NYI JULY 8 MADE DECISION (DOUBTLESS WITH CONCURRENCE OF PRESIDENT NE WIN) THAT COMPANIES ENGAGED IN OFFSHORE OIL EXPLORATION WILL BE REQUIRED TO BASE MOST OF PERSONNEL IN BURMA. METHOD USED TO COMPEL COMPANIES TO STATION PERSONNEL IN BURMA WILL BE STIPULATION THAT FOREIGN COMPANIES WILL NOT BE ENTITLED TO CLAIM REIMBURSEMENT FROM MOC FOR EXPENSES OF PERSONNEL BASED OUTSIDE BURMA.

3. ONLY EXCEPTION TO THIS RULE WILL BE PERSONNEL EMPLOYED FULL-TIME ON DRILLING RIGS. THEY WILL ALTERNATE TWO WEEKS ON RIG WITH ONE WEEK'S LEAVE, WHICH WILL PROBABLY BE SPENT IN BANGKOK OR SINGAPORE.

4. OIL COMPANIES ESTIMATE THAT NEW REQUIREMENT WILL RESULT IN APPROXIMATELY 100 AMERICAN AND EUROPEAN FAMILIES MOVING PERMANENTLY TO RANGOON BEFORE JANUARY 1975, ABOUT 75 PERCENT OF WHOM WILL PROBABLY BE AMERICAN. THIS FIGURE INCLUDES THOSE WORKING FOR AMERICAN DRILLING SUBCONTRACTOR FOR JAPANESE GROUP BUT DOES NOT INCLUDE JAPANESE FAMILIES WHO WILL PROBABLY ALSO BE STATIONED HERE. THIS ESTIMATE BASED BOTH ON REQUIREMENTS OF CONTRACTS WITH MOC AND ON COMPANIES' EXPERIENCE ELSEWHERE.

5. COMPANIES ESTIMATE THAT 100-FAMILY LEVEL OF AMERICAN/EUROPEAN POPULATION WOULD BE MAINTAINED FOR AT LEAST THREE YEARS, AND PROBABLY LONGER. (CONTRACTS RUN FOR THREE YEARS AND GIVE COMPANIES OPTION OF RENEWING FOR ANOTHER THREE YEARS.) SHOULD OIL BE DISCOVERED, CONSIDERABLE EXPANSION OF FOREIGN POPULATION WOULD OCCUR. ALSO, IF ONE COMPANY STRIKES OIL, IT IS VIRTUALLY CERTAIN THAT ALL OTHERS WOULD EXERCISE OPTION TO STAY FOR FULL SIX YEARS.

6. COMPANIES EXPECT MOST PERSONNEL WOULD BE IN 40'S AND HENCE WOULD BRING MANY SCHOOL-AGE CHILDREN, INCLUDING CONSIDERABLE NUMBER OF HIGH-SCHOOL AGE. THIS DEVELOPMENT WOULD OVERTAX EXISTING LIMITED OFFICIAL USE

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INTERNATIONAL SCHOOL FACILITIES AND NECESSITATE ARRANGEMENTS FOR TEACHING HIGH-SCHOOL CHILDREN. SCHOOL SITUATION NOT EXPECTED TO BECOME ACUTE UNTIL FALL OF 1975, HOWEVER.

7. MOC AND MINISTRY OF MINES APPEAR TO HAVE ABANDONED IDEA OF CONSTRUCTING LARGE RESIDENTIAL COMPOUND FOR OIL COMPANY FAMILIES (REFTEL). INSTEAD MOC ENCOURAGING COMPANIES TO RENT AND RENOVATE HOUSES ALREADY AVAILABLE IN RANGOON. MOC INTENDS TO IMPOSE K3,000

(U.S. \$625) PER MONTH RENTAL CEILING, OR IN EVENT EXTENSIVE RENOVATION REQUIRED, LOWER RENTAL RATE WHICH WHEN COMBINED WITH RENOVATION COSTS OVER THREE YEAR PERIOD WOULD EQUAL K3,000 PER MONTH RENTAL COST. REPORTEDLY GUB THINKING OF USING THREAT OF NATIONALIZATION OF RENTAL PROPERTIES TO ENFORCE THIS CEILING.

8. OIL COMPANIES HAVE BEEN GIVEN FOLLOWING ASSURANCES (WHETHER VERBAL OR IN WRITING NOT CLEAR) BY MOC:

A) EACH COMPANY WILL BE ALLOWED TO BRING IN THREE VEHICLES FOR USE BY COMPANY'S RANGOON OFFICE AND ONE CAR PER FAMILY. AT SAME TIME, EACH COMPANY WILL IMPORT "A COUPLE" OF VEHICLES FOR MOC.

B) COMPANIES WILL BE ALLOWED TO IMPORT NECESSARY CONSUMER GOODS FOR EXPATRIATE EMPLOYEES IN COMPANY-OWNED SUPPLY BOATS. GOODS WILL BE STORED AT COMPANIES' WAREHOUSE IN THAKETA AND DISTRIBUTED THROUGH COMMISSARY TO BE ESTABLISHED IN RANGOON (COMPANIES CURRENTLY LOOKING FOR COMMISSARY SITE).

C) COMPANIES WILL BE ALLOWED TO IMPORT ALL MATERIALS NECESSARY TO RENOVATE HOUSES RENTED FOR THEIR PERSONNEL.

D) GUB WILL COUNTENANCE (AND INDEED FAVORS) ESTABLISHMENT OF CONSOLIDATED RECREATION AREA FOR COMPANIES. COMPANIES ALSO PREFER CONSOLIDATED FACILITIES AND WILLING TO SPEND SUBSTANTIAL FUNDS TO ESTABLISH THEM.

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INFO OCT-01 NEA-14 ISO-00 OS-03 CIAE-00 DODE-00 INR-11

NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 SP-03 DRC-01

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9. ONLY LIMITATION ON ABOVE ASSURANCES IS THAT (GENERALLY STEEP) CUSTOMS DUTIES WILL HAVE TO BE PAID ON IMPORTED CONSUMER GOODS AND BUILDING MATERIALS, AND PROBABLY ALSO ON IMPORTED VEHICLES. OUR IMPRESSION, HOWEVER, IS THAT UNDER COMPANIES' CONTRACTS, THESE DUTIES WILL BE PAID BY MOC AS LONG AS ITEMS IMPORTED UNDER COMPANIES' NAMES. (MOC WILL NOT PAY DUTY ON ITEMS IMPORTED IN NAMES OF INDIVIDUAL EXPATRIATE EMPLOYEES.)

10. MOC HAS GIVEN NO ASSURANCES THAT COMPANIES WILL BE ABLE TO BRING IN EXPATRIATE DOCTOR AND COMPANIES DOUBTFUL THAT THEY WILL BE ALLOWED TO DO SO.

11. COMMENT: ABOVE REPRESENTS RADICAL SHIFT OF GUB POLICY TOWARD RELATIONS WITH OFFSHORE OIL CONTRACTORS. UNTIL JULY 8 DECISION, LIMITED OFFICIAL USE

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INDICATIONS HAD BEEN THIS RECOGNITION OF LACK OF FACILITIES IN RANGOON AND DESIRE TO AVOID SOCIAL PROBLEMS RESULTING FROM INFLUX OF FOREIGNERS WOULD DOMINATE GUB POLICY AND THAT COMPANIES WOULD THUS BE ENCOURAGED TO BASE INITIAL OPERATIONS OUTSIDE BURMA TO EXTENT POSSIBLE. REVERSAL OF THIS DECISION BASED ON EXPECTATION OF ECONOMIC GAINS TO BE REAPED FROM REQUIRING COMPANIES TO BASE OPERATIONS IN BURMA; DESIRE FOR PROFITS APPARENTLY NOW OUTWEIGHS DESIRE TO PRESERVE CULTURAL AND SOCIAL PURITY. ALTHOUGH OIL COMPANIES DISAPPOINTED THAT THEY NO LONGER HAVE OPTION TO BASE OPERATIONS PARTLY OUTSIDE BURMA, THEY HAVE FACED SUCH REQUIREMENTS AS GUB NOW IMPOSING ELSEWHERE AND SEEM PREPARED TO LIVE WITH THEM HERE.

12. EMBASSY WILL COMMENT LATER ON ECONOMIC AND ADMINISTRATIVE IMPLICATIONS OF THIS SHIFT IN GKL POLICY.

13. CONTENTS OF THIS TELEGRAM MAY BE DISCUSSED WITH INTERESTED COMPANIES.
OSBORN

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Message Attributes

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